



360 Capital REIT (ASX:TOT)

Full Year Results 30 June 2024

Sustainable capital structure with well leased, modern assets

360 Capital FM Limited as Responsible Entity for the 360 Capital REIT ("TOT" or the "Fund") is pleased to announce its financial results and operational update for the financial year ended 30 June 2024.

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FY24 key operational summary

- Completed speculative fit out of remaining vacancy at 510 Church Street, Cremorne VIC
- All properties have now achieved 5 Star NABERS ratings¹
- All properties externally valued at 30 June 2024, resulting in portfolio valuations reducing by \$23.6 million over FY24 through Weighted Average Capitalisation Rate ("WACR") softening from 5.33% to 6.16%
- PZ Cussons and Monash IVF commenced occupation of their tenancies at 510 Church Street, Cremorne VIC
- Gearing reduced to 33.6%² through \$25.5 million Entitlement Offer, \$2.7 million DRP and post period non-core asset sale of TOT's interest in Home HQ Artarmon for \$3.3 million
- Post period, entered into Heads of Agreement for 740sqm at 38 Sydney Avenue, Forrest, ACT
- Post period, the Fund agreed an extension of its existing finance facility to FY28, at a reduced margin, further reducing the Fund's interest expense

FY24 key financial highlights

- Statutory net loss of \$21.9 million due to valuation decreases compared to \$47.9 million loss in pcp
- Operating profit of \$4.1 million down -41.9% on pcp due to higher interest costs
- Statutory loss per security (eps) of 13.3cps verse pcp eps loss of 33.4cps
- Operating eps of 2.5cps down -50% on pcp due to higher interest costs and dilution from capital raising
- Fully franked distributions per security of 5.25cps in line with guidance

Property portfolio

TOT's property portfolio comprises three modern assets located in Melbourne, Canberra and Brisbane with a Weighted Average Lease Expiry (WALE) of 6.7 years³, average age of 3.7 years⁴, and is now 93.0%³ occupied following recent leasing at 38 Sydney Avenue, Forrest, ACT. The property portfolio comprises:

- 510 Church Street, Cremorne, VIC was completed in 2021 and is an office/healthcare facility, valued at \$105.0 million (50% interest) comprising 19,719sqm of lettable area and 145 car parks.
- 38 Sydney Avenue, Forrest, ACT refurbished in 2018, is an A-grade office building, valued at \$66.4 million comprising 8,718sqm lettable area and 82 car parks.

¹ 510 Church Street supplemented with Green Power until 100% occupied

² Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ Artarmon investment, calculated as (borrowings less cash) divided by (total asset less cash)

³ Weighted by gross income including car parking, rental guarantee and excluding outstanding incentives and including Heads of Agreement

⁴ Average age from the date of major refurbishment of 38 Sydney Ave and completion date of the remaining portfolio. Weighted by value.



- 34 Southgate Avenue, Cannon Hill, QLD was completed in September 2022, comprising a 3,585sqm high-tech industrial facility, 153 car parks, valued at \$30.0 million, occupied by Michael Hill International as its global headquarters.

The investment portfolio is well diversified, comprising 52.1% office/healthcare, 33.0% office and 14.9% high-tech industrial assets.

Asset management

The asset management team is focused on implementing our asset management plans, namely leasing, monitoring tenant fit outs and defects from the recently completed properties, and further enhancing the ESG credentials of the portfolio. All properties have now achieved 5.0 Star NABERS Energy ratings⁵.

Leasing

The Fund completed a speculative fit-out over Level 2, 510 Church Street, in October 2023 being the remaining vacant space, at a cost to the Fund of \$1.6 million (50% share), providing prospective tenants seeking fitted out tenancies in the Cremorne locality to relocate immediately. Lack of car parking has been the largest impediment to securing tenants for the Level 2 vacancy. Post period, management secured 10-bays from existing tenants, allowing an increased parking ratio. The space has since been relaunched to the market.

Vacancy on the Fund's Canberra asset remains under a rental guarantee until mid-December 2024. There has been very little activity across the Forrest/Barton precincts with only -194sqm of net absorption over the past 12-months. Total market vacancy remains tight at 3.2% across the combined sub-markets. The recent change in leasing strategy and relaunching of space has generated enquiry, leading to a signed Heads of Agreement (HoA) over 740sqm. We continue to have active ongoing discussions with prospective tenants over the remaining vacancy.

Valuations

As a result of the continuing deterioration of the commercial real estate markets in Australia, independent valuations were obtained for all three properties resulting in the following carrying values as at 30 June 2024 and movements in capitalisation rates during FY24:

Property	New Valuations (\$m)	Movement since June 2023 (\$m)	Movement since June 2023 (%)	Capitalisation Rate	Capitalisation Rate Movement
510 Church Street, Cremorne VIC	\$105.0m	-\$10.0m	-8.7%	6.00%	0.75%
34 Southgate Ave, Cannon Hill QLD	\$30.0m	-\$6.0m	-16.7%	6.50%	1.25%
38 Sydney Ave, Forrest ACT	\$66.4m	-\$7.6m	-10.3%	6.25%	0.75%
Total / Avg.	\$201.4m	-\$23.6m	-10.5%	6.16%	0.83%

The reduction of \$23.6 million during FY24 is the equivalent of \$0.11 per security as at 30 June 2024.

⁵ 510 Church Street supplemented with Green Power until 100% occupied



Capital management and capital raising⁶

Declining commercial real estate values resulted in the Fund's asset values reducing and following the payment of tax liabilities in December 2023, TOT's gearing increased to 41.6%, above its stated gearing range of 30-40%.

In February 2024, the Fund launched a 0.8 for 1 non underwritten, pro-rata, non-renounceable Entitlement Offer which raised a total of \$25.5 million with net raising proceeds used to reduce borrowings, significantly reducing the Fund's interest expense.

As a result of the capital raising, the Fund reduced its facility limit to \$84.0 million. As at 30 June 2024, the Fund was well within its debt covenants, drawn to \$73.6 million, providing significant headroom on the Fund's LVR covenant of 50% and had an ICR of 2.5 times⁷ for FY24 against a covenant of 1.5 times.

During FY24, the Fund activated its DRP for the December 2023 and March 2024 distributions raising \$1.9 million in equity, and a further \$0.8 million from the June 2024 DRP post period. The Fund will continue to keep its DRP on to further reduce debt in the near future.

Post period, TOT sold its remaining non-core asset, a 4.5% stake in HomeHQ for \$3.3 million, with the proceeds to be used to reduce borrowings and bring gearing down to 33.6%⁸.

Post period, TOT also agreed terms to extend its debt facility to FY28 at a reduced margin and reduced the facility limit to \$80 million. TOT remains 100% floating, positioned to take advantage of the expected fall in interest rates during FY25.

FY25 Forecast Distributions

The Fund's FY25 forecast distribution remains unchanged at 3.0cps (paid in equal quarterly instalments). Given the level of franking credits remaining in the Fund, the Fund is forecasting FY25 distributions to be fully franked.

The Fund also has the ability to distribute tax deferred distributions in future years as its modern portfolio has significant depreciation allowances.

Authorised for release by the Board of 360 Capital FM Limited.

For further information in relation to the proposal please contact either

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About 360 Capital REIT (ASX: TOT)

The Fund has a demonstrated track record of consistent quarterly distributions, through a selective and disciplined investment philosophy, combined with access to real estate investment opportunities available to TOT through the 360 Capital Group, the manager of the Fund.

⁶ Capitalised terms have the same definition as the Entitlement Offer Booklet released to the ASX on 14 February 2024

⁷ Calculated in accordance with Finance Facility Agreement

⁸ Gearing including post period proforma adjustment of \$3.3 million from realisation of HomeHQ Artarmon investment, calculated as (borrowings less cash) divided by (total asset less cash)